

**Washington State Auditor's Office**  
**Accountability Audit Report**

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**Taholah School District No. 77**  
**Grays Harbor County**

Report Date  
**April 28, 2010**

**Report No. 1003687**

Issue Date  
**May 24, 2010**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

May 24, 2010

Board of Directors  
Taholah School District No. 77  
Taholah, Washington

***Report on Accountability***

We appreciate the opportunity to work in cooperation with your District to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on Taholah School District No. 77's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag", is written over a light blue horizontal line.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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**Grays Harbor County**  
**April 28, 2010**

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# **Audit Summary**

## **Taholah School District No. 77 Grays Harbor County April 28, 2010**

### ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of Taholah School District No. 77 for the period from September 1, 2008, through August 31, 2009.

We evaluated internal controls and performed audit procedures on the activities of the District. We also determined whether the District complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Open Public Meetings Act
- Payroll analytical procedures
- Financial condition
- Transportation reporting
- Staff mix reporting
- Enrollment reporting
- Associated Student Body
- Safeguarding of assets
- General disbursements
- Conflict of interest
- Procurement

### ***RESULTS***

In some areas, the District complied with state laws and regulations and its own policies and procedures.

However, we identified conditions significant enough to report as findings:

- The District did not comply with state laws and regulations related to transportation ridership reporting.
- The District's internal controls over the reporting of teacher education and experience are inadequate.

We also noted certain matters that we communicated to District management.

## **Related Reports**

**Taholah School District No. 77  
Grays Harbor County  
April 28, 2010**

### ***FINANCIAL***

Our opinion on the District's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the District's financial statements.

### ***FEDERAL GRANT PROGRAMS***

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the District's major federal program, which is listed in the Federal Summary section of the financial statement and single audit report.

## **Description of the District**

**Taholah School District No. 77**  
**Grays Harbor County**  
**April 28, 2010**

### ***ABOUT THE DISTRICT***

Taholah School District No. 77 provides public school services to approximately 200 students in kindergarten through 12th grade in Grays Harbor County. The District's five-member Board of Directors is the primary policy-making body exercising budgetary and financial control for the District. Board Members are elected to staggered, four year terms. The Superintendent and staff administer day-to-day operations of the District and carry out decisions made by the Board. The District operates on a \$3.3 million annual general fund budget and its approximately 50 employees provide basic education and support services.

### ***ELECTED OFFICIALS***

These officials served during the audit period:

Board of Directors:

Ken Stevens  
Clarinda Underwood  
Kiwi Johnston  
William Adams  
Mary Ann Ralston

### ***APPOINTED OFFICIALS***

Superintendent

Patty Marz

### ***DISTRICT CONTACT INFORMATION***

Address: Taholah School District No. 77  
600 Chitwhin Drive  
P.O. Box 249  
Taholah, WA 98587

Phone: (360) 276-4780

Web site: [www.taholah.k12.wa.us](http://www.taholah.k12.wa.us)

## **AUDIT HISTORY**

The District is on an annual audit cycle. The past six audits of the District have noted several areas of concern. A special audit report was issued on September 30, 2005, that reported misappropriation of public funds by the former Superintendent. A School Programs Team audit report was issued on November 10, 2005, which reported the District over-claimed students enrolled in Special Education. The 2005 and 2006 audits each included findings for the District not adequately monitoring financial operations. The 2007 and 2008 audits, as well as the current audit, include findings for transportation ridership and staff mix reporting.

# **Schedule of Audit Findings and Responses**

## **Taholah School District No. 77 September 1, 2008 through August 31, 2009**

### **1. The District did not comply with state laws and regulations related to transportation ridership reporting.**

#### **Description of Condition**

School districts receive money from the state to provide student transportation. Districts receive part of this funding based on a formula that considers the number of students receiving the services. In October of each year, districts are required to submit a report to the Office of Superintendent of Public Instruction (OSPI) that contains information on the number of students riding the bus and bus route maps. The District received \$14,167 in state funding for student transportation in fiscal year 2009.

In the past four audits we noted concerns with the District's transportation ridership reporting.

We examined both of the District's bus routes for fiscal year 2009. We noted several problems with the source documentation for its reporting on bus ridership:

- The District was unable to provide the original transportation documentation at the time of the audit. It provided only copies.
- The District did not completely fill out two reports.
- District documentation did not support two reports.

Without complete, accurate and supported transportation reports, we are unable to determine if transportation reporting is accurate.

We also reviewed 2010 transportation reporting and noted the issues persist.

#### **Cause of Condition**

The District did not provide adequate training and guidance to bus drivers on how to perform the ridership counts and fill out the forms properly.

#### **Effect of Condition**

Without complete, accurate and supported transportation reports we are unable to determine if transportation reporting is accurate, or that funding received was appropriate.



## Recommendation

We recommend the District:

- Develop procedures to ensure the accuracy and completeness of ridership counts reported for transportation funding.
- Fill out all required forms accurately and completely, and retain original documents.
- Ensure reports submitted to OSPI are supported by District ridership reports.
- Work with OSPI to resolve any potential reporting errors.

## District's Response

*The Taholah School District will have our Transportation Director trained and going to the workshop on completing these forms. The North Beach Transportation Director and Superintendent of Taholah Schools will look over the reports and make sure they are 100% correct before they are turned in. They will be done in blue ink so the State Auditors can tell if they are original. No more black ink. The monthly bus logs will be checked and initialed by the superintendent or principal at the end of the month. All logs must be done in any color ink other than black.*

## Auditor's Remarks

We appreciate the District's commitment to resolving the issues. We will follow up on the status during the next audit.

## Applicable Laws and Regulations

*Washington Administrative Code (WAC) 392-141-160 governs the reporting and recording requirements for pupil transportation. It states in part:*

*Annual or supplementary reports shall be submitted by each school district to the superintendent of instruction prior to the third Monday in October. This report shall reflect to the extent practical the planned pupil transportation program for the entire school year and which is in operation during ridership count week.*

*Reports shall be submitted with a cover letter signed by the chief school district administrator attesting to the completeness of the requirements below and the accuracy of the data contained therein. Each District shall submit data required on a timely basis as a condition to the continuing receipt of student transportation allocations. These reports shall be maintained for a period of three school years or until audited and include the following but are not limited to:*

- (1) *School bus route logs completed in ink by bus drivers for five consecutive days. These logs shall include state school bus numbers, each bus stop, the number of students boarding the bus at*

each stop, and destination schools, transfer points, learning centers, or agencies . . . .

- (3) Other operational data and descriptions, as required by the superintendent of public instruction to determine operation allocation requirements for each district

Office of Superintendent of Public Instruction Bulletin No. 097-06PT – Required Student Transportation Report General Instructions for Data Collection 2006-07 provides instructions for reporting

The required School Bus Route Count Sheet (Form SPI 1022D) supporting and validating the mode on the School Bus Route Log (Form SPI 1022A)

Route Categories. Data will be collected in the following 16 categories (route types A, S J, K,M, B,C,D,E,W,X,Y,Z,P,I,T).

Route Stop Pick-Up Modes – The mode is the most frequently appearing number of students who were picked up at each stop during the five count days reported from the school bus route count sheet.

# **Schedule of Audit Findings and Responses**

## **Taholah School District No. 77 September 1, 2008 through August 31, 2009**

### **2. The District's internal controls over the reporting of teacher education and experience are inadequate.**

#### **Background**

The Office of Superintendent of Public Instruction (OSPI) establishes the rules and provides instructions on how school districts should report teacher education and experience, also known as staff mix, for state funding. Staff mix is a primary component of apportionment funding; the years of experience and the education of the District's certificated staff determines placement on the State Legislative Evaluation and Accountability Program (LEAP) schedule. The District receives funding from the state based in part on its teachers' placement on that schedule. The District received \$1,431,314 in state funding for enrollment and staff mix in fiscal year 2009.

#### **Description of Condition**

In the past four audits, we noted concerns with the District's staff mix reporting.

In the prior audit we reviewed 21 staff files (100 percent) for fiscal year 2008. The District did not have adequate documentation to support data reported for staff mix funding. We identified errors in 20 of the 21 files reviewed; 10 contained errors that affected placement of staff on the LEAP schedule. These errors resulted in the District being overpaid \$25,071.

In the current audit we reviewed three of the 20 staff mix files with errors noted in the prior audit and determined errors persisted. Specifically we noted:

- One file did not contain official transcripts.
- One file contained supporting documentation for 15.7 more credits than what was reported on the District's report to OSPI (S-275).
- One file did not have supporting documentation for three credits that were reported on the District's S-275 and underreported 2.2 years of experience on the S-275.
- District staff lacked adequate training and there was no process in place for the review and oversight of staff mix calculations.

## **Cause of Condition**

Although the District hired an outside consultant to correct the errors noted in the prior audit, District staff did not resubmit the information based on the corrections recommended by the consultant.

## **Effect of Condition**

The District incorrectly reported staff-mix information to OSPI, which affects District funding and teacher salaries. Due to the cumulative nature of staff mix data errors, errors that do not affect funding in one year, if not corrected, will eventually result in funding errors.

## **Recommendation**

We recommend the District establish and follow a review process to ensure accurate reporting. We further recommend the District ensure staff is adequately trained and knowledgeable regarding reporting requirements for staff mix.

## **District's Response**

*The Taholah School District agrees with the auditor's report. The District has paid a consultant to help with the staff mix corrections. They were given to the District, but were not entered in the system. Therefore, our S-275 is still not accurate. The District will be redoing it before the end of the school year and resubmitting it.*

## **Auditor's Remarks**

We appreciate the District's commitment to resolving the issues. We will follow up on the status during the next audit.

## **Applicable Laws and Regulations**

*Washington Administrative Code (WAC) 392-121-262 Additional criteria for all credits.*

Credits earned after September 1, 1995, must satisfy the following criteria in addition to those found in WAC 392-121-255, 392-121-257, and 392-121-259:

- (1) At the time credits are recognized by the school district the content of the course must meet at least one of the following:
  - (a) It is consistent with a school-based plan for mastery of student learning goals as referenced in RCW 28A.644.110, the annual school performance report, for the school in which the individual is assigned.
  - (b) It pertains to the individual's current assignment or expected assignment for the following school year;
  - (c) It is necessary for obtaining endorsement as prescribed by the Washington professional educator standards board;
  - (d) It is specifically required for obtaining advanced levels of certification;

- (e) It is included in a college or university degree program that pertains to the individual's current assignment or potential future assignment as a certificated instructional staff; or
- (f) It addresses research-based assessment and instructional strategies for students with dyslexia, dysgraphia, and language disabilities when addressing learning goal one under RCW 28A.150.210, as applicable and appropriate for individual certificated instructional staff.

*Washington Administrative Code (WAC) 392-121-270* Placement of certificated instruction employees on LEAP salary allocation documents.

Each certificated instructional employee shall be placed on LEAP salary allocation documents based on the employee's highest degree level, total eligible credits, and certificated years of experience . . . .

*Washington Administrative Code (WAC) 392-121-280* Placement on LEAP salary allocation documents – Documentation required.

School districts shall have documentation on file and available for review which substantiates each certificated instruction employee's placement on LEAP salary allocation documents . . .

(2)(e) For credits earned after September 1, 1995, districts shall document that the course content meets one or more of the criteria of WAC 392-121-262(1). At a minimum, such documentation must include a dated signature of the immediate principal, supervisor, or other authorized school district representative and must be available to the employee's future employers" . . .

(5) Districts shall document certificated years of experience . . . .

# **Status of Prior Audit Findings**

## **Taholah School District No. 77 Grays Harbor County April 28, 2010**

The status of findings contained in the prior years' audit reports of Taholah School District No. 77 is provided below:

- 1. The District did not comply with state laws and regulations related to transportation ridership reporting.**

Report No. 1001255, dated May 11, 2009

### **Background**

Our prior and current audits of the District's ridership reporting found it did not comply with state laws and regulations and the Office of Superintendent of Public Instruction's directions for data collection and reporting.

We examined both of the District's bus routes for fiscal year 2008. We noted several problems with the source documentation for its reporting on bus ridership. We noted issues with incomplete documentation and conflicting signature dates and information. We also found no documentation to support information reported on certain students that live within a mile of the school. The District did not prepare a 1021 report, which documents annual school bus mileage.

### **Status**

This issue has not been resolved and we will issue a repeat finding in the current audit.

- 2. The District's internal controls over the reporting of teacher education and experience are inadequate.**

Report No. 1001255, dated May 11, 2009

### **Background**

In the past three audits, we noted concerns with the District's staff mix reporting.

During our current audit, we noted the District has not corrected prior reporting errors regarding credits and years of experience. As a result, staff credits and years of experience reported to OSPI are inaccurate. These errors did affect placement on the LEAP schedule.

We reviewed 21 staff files (100 percent) for fiscal year 2008. The District did not have documentation to support data reported for staff mix funding. We identified errors in 20 of the 21 files reviewed; 10 contained errors that affected placement of staff on the LEAP schedule. These errors resulted in the District being overpaid \$25,071.

The District also did not have documentation in staff files identifying additional criteria for credits earned after September 1, 1995, as required by state law.

**Status**

This issue has not been resolved and we will issue a repeat finding in the current audit.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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